

## Message Text

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ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 AGR-20 EB-11 COME-00 STR-08

TRSE-00 TAR-02 OMB-01 CIEP-02 CIAE-00 DODE-00 PM-07

H-02 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01

SS-15 USIA-12 RSR-01 /148 W

----- 117169

R 181258 Z JUN 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5753

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

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E. O. 11652: GDS

TAGS: ETRD, EEC, GATT, GW

SUBJECT: ARTICLE 24:6 NEGOTIATIONS AND MTN: MALMGREN  
AND RENNER TALKS IN BONN

1. SUMMARY. IN THEIR TALKS IN BONN JUNE 15 MALMGREN  
AND RENNER FOUND THAT FRG OFFICIALS WELCOMED WHAT THEY  
TERMED A MORE PRAGMATIC U. S. APPROACH TO 24:6  
NEGOTIATIONS, PARTICULARLY ON GRAINS. THESE OFFICIALS  
BELIEVED A TRANSITIONAL ARRANGEMENT ON GRAINS WOULD  
HAVE TO BE NOT MUCH MORE THAN A "ROLL- OVER" OF  
NEGOTIATING RIGHTS, ALTHOUGH THEY WERE OPTIMISTIC  
REGARDING MORE FUNDAMENTAL CHANGES IN EC GRAIN/ LIVE-  
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STOCK PRICE RELATIONSHIPS OVER THE LONGER- TERM. FRG OFFICIALS QUESTIONED WHETHER U. S. SURVEILLANCE, AND REQUESTED CONTROLS, FOR AGRICULTURAL EXPORTS MEANT THAT THERE WAS NO LONGER A US/ EC GRAINS PROBLEM. END SUMMARY.

2. AMBASSADOR MALMGREN AND DEPUTY ASSISTANT SECRETARY RENNER MET JUNE 15 WITH ECONOMICS MINISTRY ASSISTANT SECRETARY STEEG AND, SEPARATELY, WITH AGRICULTURAL MINISTRY ASSISTANT SECRETARY PIRKMAYR. ALSO PRESENT AT THE STEEG MEETING WAS KUEHN, HER OFFICE DIRECTOR FOR TARIFF POLICY. MALMGREN GAVE MISS STEEG A COPY OF THE JUNE 12 PROPPS - LAYTEN LETTER ON 24:6 NEGOTIATIONS.

3. MISS STEEG SAID THAT SINCE THE EC WOULD NOT NEGOTIATE ON A PRODUCT- BY- PRODUCT BASIS AND SINCE THE U. S. WOULD NOT ACCEPT THE EC' S GLOBAL, ARITHMETIC APPROACH, THE ACTUAL NEGOTIATING PROCESS-- AND RESULT-- WOULD HAVE TO BE SOMETHING IN BETWEEN. SHE, THEREFORE, WELCOMED A MORE PRAGMATIC U. S. APPROACH TO 24:6. SHE SAID THAT THE FRG WANTED TO SEE THE EC ALSO PROCEED PRAGMATICLY ON COMPENSATION, BUT SHE STRESSED THAT THE EC, IN SO DOING, WOULD STILL STICK TO ITS ASSERTION THAT THE POSITION OF THIRD COUNTRIES HAS NOT DETERIORATED THROUGH EC ENLARGEMENT.

4. BOTH STEEG AND PIRKMAYR THOUGHT NEGOTIATIONS WOULD BE FACILITATED BY PUTTING THE GRAINS ISSUE ON A SEPARATE TRACK AND ALLOWING MORE TIME FOR RESOLUTION. THEY STRESSED, HOWEVER, THAT SPECIAL GRAIN NEGOTIATIONS WOULD BOTH HAVE TO COMBINE OUR EC STANDSTILL AND UK RIGHTS AND BE CARRIED OUT IN RELATIONSHIP TO THE MTN SINCE THE EC COULD NEGOTIATE ONLY ONCE ON THE MAJOR GRAIN ISSUE. KUEHN STRESSED THAT ANY TRANSITIONAL ARRANGEMENTS FOR THE U. S. ON GRAIN WOULD HAVE TO BE NOT MUCH MORE THAN A " ROLL- OVER" OF NEGOTIATING RIGHTS.

5. KUEHN THOUGHT SOME COMPENSATION IN AGRICULTURE

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( OTHER THAN GRAINS) COULD BE WORKED OUT, BUT HE SAW PROBLEMS REGARDING NEGOTIATED COMPENSATION IN THE INDUSTRIAL SECTOR.

6. PIRKMAYR, WHILE NOTING THAT SIGNIFICANT EC CONCESSIONS ON GRAIN BY JULY WERE UNTHINKABLE, WAS QUITE OPTIMISTIC OVER THE LONGER TERM. AT SOME POINT, A STANDSTILL ON GRAIN PRICES COULD FIT IN WITH EVOLVING FRG THOUGHTS ON CHANGING THE PRICE RELATIONSHIP OF LIVESTOCK PRODUCTS AND GRAINS IN THE EC. HE CHARACTERIZED THE FRG AS BECOMING MORE FLEXIBLE IN ITS THINKING ON GRAIN PRICES AND HE THOUGHT THIS COULD BE REFLECTED IN BRANDT/ POMPIDOU DISCUSSIONS JUNE 21, 22.

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7. BOTH PIRKMAYR AND STEEG QUESTIONED WHETHER, IN

LIGHT OF RECENT U. S. AND INTERNATIONAL MARKET DEVELOPMENTS, THERE STILL WAS A US/ EC GRAIN PROBLEM. PIRKMAYR NOTED THAT SOME EXPERTS FORESEE GRAIN PRICES ON THE INTERNATIONAL MARKET REACHING FAIRLY SOON LEVELS AT WHICH THERE WOULD BE NO EC VARIABLE LEVIES. FURTHERMORE, IF THE U. S. IS ALREADY MOVING TO RESTRAIN GRAIN EXPORTS, THERE COULD NOT BE A FOREIGN ACCESS PROBLEM. MISS STEEG NOTED THAT SHE HAD OVER RECENT MONTHS RECEIVED PERIODIC LETTERS FROM THE BAUERNVERBAND ( FARMERS ORGANIZATION) SUMMARIZING U. S. PRESS ARTICLES ON PRESSURE FOR FARM EXPORT CONTROLS AND DRAWING " THE PROPER IMPLICATIONS FOR THE EC." SHE NOW EXPECTED ANOTHER ONE THAT WOULD BE MORE DIFFICULT TO ANSWER.

8. MISS STEEG SAID THAT SHE WAS, AFTER A RECENT CHAT WITH A FRENCH EMBASSY OFFICIAL, MORE OPTIMISTIC THAT A REASONABLE EC GLOBAL APPROACH FOR THE MTN COULD BE WRAPPED UP SOON. KUEHN NOTED THAT THE BASES OF THIS OPTIMISM WERE NOT YET REFLECTED IN PERMREP DISCUSSIONS IN BRUSSELS.  
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